

PULSE INVESTMENTS LIMITED
FINANCIAL STATEMENTS
30 JUNE 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of
Pulse Investments Limited

Report on the Financial Statements

We have audited the financial statements of Pulse Investments Limited set out on pages 3 to 42, which comprise the statement of financial position as at 30 June 2016, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Pulse Investments Limited

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial position as at 30 June 2016, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Jamaican Companies Act.

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, appearing to be 'BDO'.

Chartered Accountants

11 November 2016

PULSE INVESTMENTS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
REVENUE	6	350,583	325,868
Administrative and other expenses	7	<u>(202,630)</u>	<u>(209,484)</u>
		147,953	116,384
Other income/gains	8	<u>94,877</u>	<u>96,464</u>
OPERATING PROFIT		242,830	212,848
Finance costs	9	<u>(3,753)</u>	<u>(4,250)</u>
PROFIT BEFORE TAXATION		239,077	208,598
Taxation	10	<u>138,498</u>	<u>-</u>
NET PROFIT		<u>377,575</u>	<u>208,598</u>
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified to profit or loss -			
Gain on leasehold revaluation		10,098	10,852
Tax relating to item that will not be reclassified	15	<u>(19,597)</u>	<u>-</u>
		<u>(9,499)</u>	<u>10,852</u>
TOTAL COMPREHENSIVE INCOME		<u>368,076</u>	<u>219,450</u>
EARNINGS PER SHARE	11	<u>135c</u>	<u>74c</u>


PULSE INVESTMENTS LIMITED
STATEMENT OF FINANCIAL POSITION

30 JUNE 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>(Restated)</u> <u>2015</u> <u>\$'000</u>	<u>(Restated)</u> <u>2014</u> <u>\$'000</u>
<u>ASSETS</u>				
NON-CURRENT ASSETS:				
Property, plant and equipment	12	115,050	106,494	97,413
Intangible assets	13	92,720	92,720	92,720
Investment properties	14	1,309,400	1,174,950	1,063,383
Deferred tax asset	15	<u>123,510</u>	<u>-</u>	<u>-</u>
		<u>1,640,680</u>	<u>1,374,164</u>	<u>1,253,516</u>
CURRENT ASSETS:				
Receivables	16	24,764	15,918	9,163
Advertising entitlements	17	439,237	323,751	227,855
Cash and bank balances	18	<u>18,656</u>	<u>13,125</u>	<u>15,266</u>
		<u>482,657</u>	<u>352,794</u>	<u>252,284</u>
		<u>2,123,337</u>	<u>1,726,958</u>	<u>1,505,800</u>
<u>EQUITY AND LIABILITIES</u>				
EQUITY				
Share capital	19	152,367	152,367	152,367
Share premium	20	366,376	366,376	366,376
Capital reserve	21	2,637	2,637	2,637
Capital redemption reserve	22	20,500	20,500	20,500
Revaluation reserve	23	58,792	68,291	57,439
Shares to be issued	24	2,609	2,609	2,609
Retained earnings		<u>1,393,537</u>	<u>1,032,804</u>	<u>824,206</u>
		<u>1,996,818</u>	<u>1,645,584</u>	<u>1,426,134</u>
NON-CURRENT LIABILITIES:				
Long term loan	25	13,346	16,760	19,622
Related party	26	<u>90,264</u>	<u>49,595</u>	<u>44,995</u>
		<u>103,610</u>	<u>66,355</u>	<u>64,617</u>
CURRENT LIABILITIES:				
Payables	27	8,149	7,540	8,367
Taxation		4,609	-	-
Bank overdraft	18	6,094	3,422	2,979
Current portion of long term loan	25	<u>4,057</u>	<u>4,057</u>	<u>3,703</u>
		<u>22,909</u>	<u>15,019</u>	<u>15,049</u>
		<u>2,123,337</u>	<u>1,726,958</u>	<u>1,505,800</u>

Approved for issue by the Board of Directors on 11 November 2016 and signed on its behalf by:


 K. Cooper Director


 J. Cobham Director

PULSE INVESTMENTS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2016

	Note	Share Capital \$'000	Share Premium \$'000	Capital Reserve \$'000	Capital Redemption Reserve \$'000	Revaluation Reserve \$'000	Shares to be Issued \$'000	Retained Earnings \$'000	Total \$'000
At 1 July 2014		152,367	366,376	2,637	20,500	57,439	2,609	824,206	1,426,134
TOTAL COMPREHENSIVE INCOME									
Net profit		-	-	-	-	-	-	208,598	208,598
Other comprehensive income		-	-	-	-	10,852	-	-	10,852
Balance at 30 June 2015		152,367	366,376	2,637	20,500	68,291	2,609	1,032,804	1,645,584
TOTAL COMPREHENSIVE INCOME									
Net profit		-	-	-	-	-	-	377,575	377,575
Other comprehensive income		-	-	-	-	(9,499)	-	-	(9,499)
TRANSACTIONS WITH OWNERS									
Dividend paid	28	-	-	-	-	(9,499)	-	377,575	368,076
Balance at 30 June 2016		152,367	366,376	2,637	20,500	58,792	2,609	1,393,537	1,996,818

PULSE INVESTMENTS LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 30 JUNE 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit		377,575	208,598
Items not affecting cash resources:			
Fair value appreciation on investment property	14	(93,996)	(95,704)
Advertising entitlement		(115,486)	(95,896)
Depreciation	12	1,808	1,827
Interest expense	9	3,753	4,250
Deferred taxation		(143,107)	-
Taxation expense		<u>4,609</u>	<u>-</u>
		35,156	23,075
Changes in operating assets and liabilities:			
Receivables		(8,846)	(6,755)
Payables		609	(827)
Related party		<u>40,669</u>	<u>4,600</u>
Cash provided by operating activities		<u>67,588</u>	<u>20,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(266)	(56)
Addition to investment properties	14	(40,454)	(15,863)
Cash used in investing activities		<u>(40,720)</u>	<u>(15,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid	8	(3,753)	(4,250)
Dividends paid		(16,842)	-
Loan repayment		<u>(3,414)</u>	<u>(2,508)</u>
Cash used in financing activities		<u>(24,009)</u>	<u>(6,758)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2,859	(2,584)
Cash and cash equivalents at beginning of year		<u>9,703</u>	<u>12,287</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	18	<u>12,562</u>	<u>9,703</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

1. IDENTIFICATION AND PRINCIPAL ACTIVITY:

Pulse Investments Limited (the company) was incorporated in Jamaica under the Companies Act on 6 August 1993 and commenced trading on 1 November 1993. The company is domiciled in Jamaica and is controlled by the Executive Chairman, Mr. Kingsley Cooper. The company's shares are listed on the Jamaica Stock Exchange.

The principal activities of the company are model agency representation, multi-media production, marketing, show production and promotion and sub-letting of leasehold properties. The registered office of the company is situated at 38A Trafalgar Road, Kingston 10, Jamaica W.I.

2. REPORTING CURRENCY:

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation. Amounts are rounded to the nearest thousand, unless otherwise stated.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and have been prepared under the historical cost convention as modified by the revaluation of certain properties and financial assets that are measured at fair value or revalued amounts. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements to conform to IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Amendments to published standards effective in the current year that are relevant to the company's operations

There were no new standards or amendments to standards that were issued in the current year and that are relevant to the company's operation.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd).

Annual improvements to IFRS, 2012-2014 cycle contain amendments to certain standards and interpretations and are effective for accounting periods beginning on or after 1 January 2016. The main amendments applicable to the group are as follows:

- IAS 34, 'Interim Financial Reporting', has been amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed 'elsewhere in the interim financial report' and requires a cross-reference to the information.
- IFRS 7, 'Financial Instruments: Disclosures', has been amended to clarify that the additional disclosures required by the amendment to IFRS 7, Disclosures: Offsetting Financial Assets and Financial Liabilities are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, Interim Financial Reporting, require their inclusion.

IFRS 9, 'Financial Instruments', (effective for annual reporting periods beginning on or after 1 January 2018), replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

IFRS 15, 'Revenue from Contracts with Customers', (effective for periods beginning on or after 1 January 2018), replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC - 31 Revenue - Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

Standards and amendments to published standards that are not yet effective and have not been early adopted by the company (cont'd).

IFRS 16, 'Leases', (effective for annual periods beginning on or after 1 January 2019), replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating Leases-Incentives and SIC 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(b) Foreign currency translation -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measures at historical cost denominated in a foreign currency are translated using the exchange rates as at the date of initial recognition.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in profit or loss.

(c) Property, plant and equipment -

Items of property, plant and equipment, excluding leasehold property, are recorded at historical or deemed cost, less accumulated depreciation and impairments losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Property, plant and equipment (cont'd) -**

Items of property, plant and equipment, excluding leasehold property, are recorded at historical or deemed cost, less accumulated depreciation and impairments losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

Leasehold properties are carried at fair value, based on yearly valuations by the directors. Changes in fair value are recognised in other comprehensive income and accumulated in the revaluation reserve except to the extent that any decrease in excess of the credit balance on the revaluation reserve, or reversal of such a transaction, is recognized in profit or loss.

Depreciation is computed and charged to the statement of profit or loss on the straight-line basis at annual rates estimated to write down the property, plant and equipment to their estimated residual values over their expected useful lives.

Depreciation rates are as follows:

Furniture and fixtures	10%
Equipment	20%
Computer	33 1/3%
Motor vehicle	20%
Leasehold properties	over the life of the lease

Residual value, useful lives and depreciation rates are reassessed at each reporting date.

At the date of revaluation, the accumulated depreciation on the revalued leasehold properties and improvements is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(d) Investment property -

For properties that have dual usage, in order to determine the portion that can qualify as investment property, the directors, based on their judgement, estimate that if five percent or less of the total square footage (including common area) is being used for own use, the balance will qualify as investment property.

The valuation of investment properties is based on the judgement and assumptions used by the directors.

Investment properties are carried at fair value estimated on an annual basis by the directors. Changes in the fair value of investment properties are recognized in the profit or loss. Rental income from investment property is accounted for as described in accounting policy 3(o).

(e) Intangible assets -

Intangible assets represent expenditure incurred for the acquisition of trademarks and patents. These are recognized initially at cost. Trademarks and patents are stated at cost less impairment losses. Trademarks and patents are determined to have an indefinite useful life as there are no foreseeable limit to the period over which they are expected to generate net cash inflows for the company. Trademarks and patents are tested annually for impairment. Expenses relating to internally developed trademarks, including registration and subsequent renewal expenses, are charged to the profit or loss as and when they are incurred.

(f) Impairment -

The carrying amount of the company's assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the statement of comprehensive income.

(i) Calculation of recoverable amount:

The recoverable amount of the company's receivables carried at amortised cost is calculated as the present value of expected future cash flows, amortised at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(f) Impairment (cont'd) -

(i) Calculation of recoverable amount (cont'd):

The recoverable amount of other assets is the greater of their fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized. For all other assets, an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(g) Financial instruments -

A financial instrument is any contract that gives rise to a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(g) Financial instruments (cont'd) -

Financial assets (cont'd)

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss. Impairment testing of trade receivables is described in note 3(h).

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term liabilities, due to related company and trade payables.

(h) Receivables -

Receivables are stated at amortised cost less impairment losses.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Cash and cash equivalents -

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and bank overdraft.

(j) Borrowings -

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

(k) Accounts payable -

Trade and other payables are stated at amortised cost.

(l) Related parties -

A party is related to the company, if:

(ii) Directly, or indirectly through one or more intermediaries, the party:

(a) is controlled by, or is under common control with, the company;

(b) has an interest in the company that gives it significant influence over the entity; or

(c) has joint control over the company.

(ii) The party is an associate of the company;

(iii) The party is a joint venture in which the company is a venturer;

(iv) The party is a member of the key management personnel of the entity or its parent;

(v) The party is a close member of the family of any individual referred to in (i) or (iv);

(vi) The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) Related parties (cont'd) -

(vii) The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The company has a related party relationship with its directors and key management personnel representing certain senior officers of the company.

(m) Provisions -

A provision is recognized when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(n) Current and deferred income taxes -

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) Current and deferred income taxes (cont'd) -

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

Relief from income tax for income gained from motion picture production was available to the company under the Motion Picture Industry (Encouragement) Act up to 30 June 2015.

(o) Revenue recognition -

Operating revenue represents income from sale of TV programming, market sponsorship, model agency representation, show production and promotion and rental income from sub-letting leasehold properties.

Advertising entitlements/Sale of TV programming

Advertising entitlements are received in part or full consideration for the company's production and branded TV programmes sold to broadcasting stations. The company utilizes these entitlements or makes them available to sponsors. Revenue from advertising entitlements is recognized to the extent of expenses that are recoverable.

Sponsorships in kind

Sponsorships in kind represent services provided by sponsors. These are recognized in income in the period that the associated expenses are recognized.

Model agency representation

Revenue from model agencies is recognized as commissions or management fees earned. Commissions are earned when models represented by the company have completed modelling assignments. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due.

Show production and promotion

Revenue from the production and promotion of shows is recognized in accordance with the terms of the various contractual agreements.

Operating leases

Income and expenses under operating leases are recognized in the statement of profit or loss on a straight line basis over the term of the lease.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(p) Earnings per share -

The company presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit for the year and the weighted average number of ordinary shares outstanding, adjusted for own shares held for the effects of all dilutive potential ordinary shares.

(q) Segment reporting -

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Based on the information presented on review by the CODM, the entire operations of the company are viewed as one operating segment.

(r) Share capital -

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognised as a deduction from equity.

(s) Dividend distribution -

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders. In the case of interim dividends, this is recognised when declared by the directors.

PULSE INVESTMENTS LIMITED
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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies -

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty -

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year are discussed below:

(i) Fair value estimation

Certain assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of, at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement of the company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized.

The standard requires disclosure of fair value measurements by level using the following fair value measurement hierarchy:

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (cont'd) -

(i) Fair value estimation

- (i) Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- (ii) Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- (iii) Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfers of items between levels are recognised in the period they occur.

The company measures certain items at fair value based on director's assertions (note 4(a)(ii)) -

Leasehold property	note 12
Investment property	Note 14

The fair values of financial instruments that are not traded in an active market are deemed to be determined as follows:

- (i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances, receivables and payables.
- (ii) The carrying values of loans approximate their fair values, as these loans are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.
- (iii) The fair value of the due to related party balance could not be reasonably determined as there is no set repayment date.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (cont'd) -

(ii) Fair value of property interest

Management has made an estimate of the fair value of property interests recognized as investment property and leasehold property. Estimates are determined by the director, on the basis of appreciation in construction work-in-progress as valued by an independent quantity surveyor and have been restricted to a 8% adjustment. However, these estimates involve significant judgement and involve assumptions about the economic value of the company's property interests.

The values recognized for property interests, including construction work in progress, are based on amounts indicated by the related party responsible for carrying out the construction works.

For properties that have dual usage, in order to determine the portion that can qualify as investment property, the directors, based on their judgement, estimate that if five percent or less of the total square footage (including common area) is being used for own use, the balance will qualify as investment property.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(iv) Advertising entitlements

Management has made an estimation of the value of advertising entitlements received as consideration for the company's produced and branded TV programmes sold to broadcasting station by making reference to the approximate number of advertising spots and the average cost of acquiring these spots.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

(b) Key sources of estimation uncertainty (cont'd) -

(v) Income taxes

Estimates are required in determining the provisions for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Market risk: currency risk and interest rate risk
- Credit risk and
- Liquidity risk

In common with all other businesses, the company's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks to minimize potential adverse effects on the financial performance of the company and the methods used to measure them.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk, liquidity risk and operational risk. The company's overall risk management policies are established to identify and analyze the risks faced by the company and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on activities undertaken by the Executive Chairman and seeks to minimize potential adverse effects on the company's financial performance. The audit committee has monitoring oversight of the risk management policies.

(i) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Due to related party
- Loans

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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(ii) **Financial instruments by category**

Financial assets

	Loans and Receivable	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash and bank balance	18,656	13,125
Receivables	<u>21,499</u>	<u>12,658</u>
Total financial assets	<u>40,155</u>	<u>25,783</u>

Financial liabilities

	Financial Liabilities At Amortised Cost	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Payables	5,772	7,540
Due to related party	90,264	49,595
Overdraft	6,094	3,422
Loans	<u>17,403</u>	<u>20,817</u>
Total financial liabilities	<u>119,533</u>	<u>81,374</u>

(iii) **Financial instruments not measured at fair value**

Financial instruments not measured at fair value include cash and cash equivalents, receivables, payables, loans and due to related party balances.

Due to their short-term nature, the carrying value of cash and cash equivalents, Receivables and payables approximates their fair value.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors -**

The Board of directors has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's management function. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Market risk**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company incurs foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currency giving rise to this risk is the United States Dollar (US\$). The company ensures that the net exposure is kept to an acceptable level by monitoring its daily positions against approved limits. The table below shows the company's exposure at the reporting date.

	<i>Net foreign currency</i>	
	<u>Monetary assets</u>	
	<u>2016</u>	<u>2015</u>
	<u>US\$'000</u>	<u>US\$'000</u>
Accounts receivable	137	26
Loans	(10)	(10)
	<u>127</u>	<u>16</u>
	<u>Exchange rates</u>	
	<u>2016</u>	<u>2015</u>
	\$	\$
1 United States dollar	<u>126.01</u>	<u>116.98</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd) -**

(i) **Market Risk (cont'd)**

Currency risk (cont'd)

Sensitivity analysis:

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank and accounts receivable balances, and adjusts their translation at the year-end for 6% (2015 - 10%) depreciation and a 1% (2015 - 1%) appreciation of the Jamaican dollar against the US dollar/EURO. The changes below would have no impact on other components of equity.

	2016		2015	
	1% strengthening \$'000	6% weakening \$'000	1% strengthening \$'000	10% weakening \$'000
Effect of change in United States dollar (US\$) exchange rate	(160)	960	(18)	187

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company materially contracts financial liabilities at fixed exchange rates. These primarily relate to bank overdrafts and loans which are subject to interest rates which are fixed in advance and which may be varied by appropriate notice by the lenders. At 30 June 2016, financial liabilities subject to interest aggregated approximately \$16,299 thousand (2015: \$19,712 thousand).

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd) -**

(ii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, advertising entitlements and cash and bank balances.

Trade receivables

The company has policies in place to ensure that rental of premises and provision of other services are made to customers with an appropriate credit history. The company manages its credit risk by screening its customers and prospective tenants for credit worthiness prior to entering into agreements, establishing credit limits and the rigorous follow-up of receivables including procedures for eviction of tenants and recovery of amounts owing. Where there is uncertainty in the recoverability of balances, management has made allowances to reflect the likelihood of impairment.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions.

Trade receivables that are past due but not impaired

As at 30 June 2016, trade receivables of \$19,121 thousand (2015 - \$11,169 thousand) were past due but not impaired. These relate to outstanding sponsorship from various sources as well as current rental income due.

Trade receivables that are past due and impaired

As at 30 June 2016, trade receivables of \$13,101 thousand (2015 - \$7,182 thousand) were impaired. The amount of provision was \$13,101 thousand (2015 - \$7,182 thousand). These receivables were aged over 30 days.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2016

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd) -**

(iii) **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The company manages this risk by keeping committed credit lines available, as well as by maintaining prudent financial assets in appropriate terms and currencies.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments (both interest and principal).

	2016					
	Carrying Amount \$'000	Contractual Cashflows \$'000	Within 6 months \$'000	Six to 12 months \$'000	Over 12 months \$'000	No specific Maturity \$'000
Bank overdraft	6,094	6,094	-	-	-	6,094
Accounts payable and accrued charges	4,348	4,348	4,348	-	-	-
Due to related party	92,332	92,332	-	-	-	92,332
Loans payable	<u>17,402</u>	<u>24,380</u>	<u>3,180</u>	<u>3,180</u>	<u>18,020</u>	-
Total liabilities	<u>120,176</u>	<u>127,154</u>	<u>7,528</u>	<u>3,180</u>	<u>18,020</u>	<u>98,426</u>
	2015					
	Carrying Amount \$'000	Contractual Cashflows \$'000	Within 6 months \$'000	Six to 12 months \$'000	Over 12 months \$'000	No specific Maturity \$'000
Bank overdraft	3,422	3,422	-	-	-	3,422
Accounts payable and accrued charges	4,257	4,257	4,257	-	-	-
Due to related party	49,595	49,595	-	-	-	49,595
Loans payable	<u>20,816</u>	<u>32,017</u>	<u>3,180</u>	<u>3,180</u>	<u>25,657</u>	-
Total liabilities	<u>78,090</u>	<u>89,291</u>	<u>7,437</u>	<u>3,180</u>	<u>25,657</u>	<u>53,017</u>

Management believes that the company will be able to meet its financial liabilities, as they fall due.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. **FINANCIAL AND CAPITAL RISK MANAGEMENT (CONT'D):**

(iv) **Financial risk factors (cont'd) -**

(iv) **Capital risk**

Capital risk is the risk that the company fails to comply with mandated regulatory requirements resulting in breach of those requirements. The company's objectives when managing capital are to comply with capital requirements, safeguard the company's ability to continue as a going concern and to maintain strong capital base to support the development of its business. The company is not exposed to any externally imposed capital requirements.

(v) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the company's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The company manages operational risk so as to avoid financial loss and damage to its reputation.

6. **REVENUE:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Market sponsorship and advertising entitlements:		
In kind sponsorship	80,764	76,978
Advertising entitlements	115,486	95,896
Cash and other sponsorship	69,894	77,472
Model agency income	25,464	10,884
Rental of leasehold properties	47,323	48,613
Ticket sales	<u>11,652</u>	<u>16,025</u>
	<u>350,583</u>	<u>325,868</u>

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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7. EXPENSES BY NATURE:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Accommodation and meals	15,701	16,540
Advertising and PR	51,546	48,990
Auditor's remuneration	2,359	2,200
Bank charges	2,334	2,072
Bar costs	561	2,131
Cleaning and sanitation	753	752
Contracted services	16,219	17,766
Depreciation	1,807	1,827
Donation and subscriptions	2,066	866
Entertainment	391	596
Equipment rental	3,387	3,675
Insurance	580	674
Legal and professional fees	4,810	3,569
Management fees	44,293	39,513
Office expenses	939	824
Other expenses	589	1,968
Parking services	596	845
Printing	1,488	1,958
Provision for receivables	9,310	6,121
Repairs, maintenance and upkeep	3,449	2,351
Security services	198	1,129
Shows and production	25,044	27,115
Show supplies	1,580	1,163
Franchise fees	-	1,805
Minimum Business Tax	-	60
GCT irrecoverable	-	3,260
Travel	3,394	4,475
Utilities	8,897	12,993
Venue rental	339	2,246
	<u>202,630</u>	<u>209,484</u>

8. OTHER INCOME/GAINS:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
CFW Booth income	-	255
Miscellaneous income	881	505
Fair value appreciation on investment property	93,996	95,704
	<u>94,877</u>	<u>96,464</u>

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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9. FINANCE COSTS:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Loan interest	3,309	4,034
Overdraft expense	<u>444</u>	<u>216</u>
	<u>3,753</u>	<u>4,250</u>

10. TAXATION:

- (a) Taxation is computed on the profit for the year, adjusted for tax purposes, and comprises income tax at 25%.

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Current taxation	4,609	-
Deferred tax credit (note 15)	<u>(143,107)</u>	<u>-</u>
Current taxation	<u>(138,498)</u>	<u>-</u>

- (b) The tax on the profit before taxation differs from theoretical amount that would arise using the applicable rate of 25%.

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Reconciliation of effective tax rate:		
Profit before tax	<u>239,077</u>	<u>208,598</u>
Income tax @ 25%	59,769	52,150
Adjusted for the effects of:		
Deferred taxation	(143,107)	-
Disallowed expenses and other adjustments	(2,789)	344
Fair value appreciation on investment property	(23,499)	(21,599)
Other tax exempt income	<u>(28,872)</u>	<u>(30,895)</u>
Taxation	<u>(138,498)</u>	<u>-</u>

- (c) Prior to 1 July 2015, the company had relief for income tax under the Motion Picture Industry (Encouragement) Act. This Act was repealed on 1 January 2014 with the introduction of the Fiscal Incentive (Miscellaneous Provisions) Act which removed income tax relief under the former Act, but allowed the company to continue under the former Act until expiration of the registration.

On the basis of the above, income tax and deferred tax are now recognized in these financial statements.

11. EARNINGS PER SHARE:

The calculation of earnings per share is based on the net profit for the year divided by 280,703,000 ordinary shares at the year end (2015 - 280,703,000 shares).

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. PROPERTY, PLANT AND EQUIPMENT:

	Leasehold Properties \$'000	Leasehold Improvement \$'000	Furniture, Office Equipment and Computer \$'000	Motor Vehicle \$'000	Total \$'000
At cost or valuation -					
1 July 2014	92,310	4,527	6,938	5,700	109,475
Additions	-	-	56	-	56
Revaluation	<u>8,842</u>	<u>398</u>	-	-	<u>9,240</u>
30 June 2015	101,152	4,925	6,994	5,700	118,771
Additions	-	-	266	-	266
Revaluation	<u>8,092</u>	<u>394</u>	-	-	<u>8,486</u>
30 June 2016	<u>109,244</u>	<u>5,319</u>	<u>7,260</u>	<u>5,700</u>	<u>127,523</u>
Accumulated Depreciation -					
1 July 2014	-	-	6,363	5,699	12,062
Charge for the year	1,612	-	215	-	1,827
Revaluation adjustment	<u>(1,612)</u>	-	-	-	<u>(1,612)</u>
30 June 2015	-	-	6,578	5,699	12,277
Charge for the year	1,612	-	196	-	1,808
Revaluation adjustment	<u>(1,612)</u>	-	-	-	<u>(1,612)</u>
30 June 2016	-	-	<u>6,774</u>	<u>5,699</u>	<u>12,473</u>
Net Book Value -					
30 June 2016	<u>109,244</u>	<u>5,319</u>	<u>486</u>	<u>1</u>	<u>115,050</u>
30 June 2015	<u>101,152</u>	<u>4,925</u>	<u>416</u>	<u>1</u>	<u>106,494</u>

Leasehold properties represent properties situated at 38a Trafalgar Road, Kingston 10, St. Andrew and Stony Hill, St. Andrew which are leased from a director and shareholder for a period of forty-nine (49) years. These properties were previously leased by Pulse Entertainment Group Limited, a related company, and the leases are part of the assets acquired on the restructuring of Pulse Entertainment Group Limited. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in revaluation reserve (note 23).

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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12. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

The company's leasehold properties and improvements were revalued on 30 June 2016 (2015: 30 June 2015) as determined by the directors of the company.

The fair value of leasehold properties and improvements is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value is as follows:

	<u>Leasehold Properties</u> \$'000	<u>Leasehold Improvements</u> \$'000	<u>Total</u> \$'000
Opening balance	101,152	4,925	106,077
Revaluation adjustment included in other comprehensive income	9,704	394	10,098
Depreciation	(1,612)	-	(1,612)
Closing balance (level 3 recurring fair values)	<u>109,244</u>	<u>5,319</u>	<u>114,563</u>

The fair value of the leasehold properties and improvements were determined by the director. Management utilized a 8% increase on the basis of appreciation in construction work-in-progress as valued by independent quantity surveyor, Neville A. Mills Associates Limited, of Kingston, Jamaica, the principal of which has an appropriate recognised professional qualification.

There has been no change to the valuation techniques during the year.

13. **INTANGIBLE ASSETS:**

	<u>2016</u> \$'000	<u>2015</u> \$'000
Patents	90,000	90,000
Trademarks	<u>2,720</u>	<u>2,720</u>
	<u>92,720</u>	<u>92,720</u>

Intangible assets represent patents and trademarks acquired from Pulse Entertainment Group Limited.

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14. INVESTMENT PROPERTIES:

	Leasehold property and buildings <u>\$'000</u>	Construction work-in-progress <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
At fair value			
1 July 2014	671,254	392,129	1,063,383
Additions	53	15,810	15,863
Fair value adjustment	<u>60,413</u>	<u>35,291</u>	<u>95,704</u>
30 June 2015	731,720	443,230	1,174,950
Additions	188	40,266	40,454
Fair value adjustment	<u>58,538</u>	<u>35,458</u>	<u>93,996</u>
30 June 2016	<u>790,446</u>	<u>518,954</u>	<u>1,309,400</u>

The carrying amount of leasehold property and leasehold improvements is the fair value as determined by the directors of the company. Management utilized a 8% increase on the basis of appreciation in construction work-in-progress as valued by independent quantity surveyor, Neville A. Mills Associates Limited, of Kingston, Jamaica, the principal of which has an appropriate recognised professional qualification. Cost to complete construction will be undertaken by a related party [see note 26(b)]. Pulse Investments Limited has no further commitment to the related party until the project is completed and handed over.

At 30 June 2016, freehold land included in leasehold property aggregated \$153,880,000 (2015: \$153,880,000).

The land on which the leasehold properties are situated is in the name of a director and shareholder (see note 26(d)).

During the year, the following income was earned from investment properties.

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Income earned from properties (note 6)	<u>47,323</u>	<u>48,613</u>

Expenses incurred on investment properties are borne by the tenants.

PULSE INVESTMENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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15. DEFERRED TAXATION:

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Deferred tax asset for the year	<u>123,510</u>	<u>-</u>
(a) Taxation is due to the following temporary differences:		
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Deferred income tax assets:		
Property, plant and equipment	7,359	-
Tax losses carried forward	<u>165,021</u>	<u>-</u>
	<u>172,380</u>	<u>-</u>
Deferred income tax liabilities:		
Investment properties	(402)	-
Advertising entitlements	(28,871)	-
Revaluation reserve	<u>(19,597)</u>	<u>-</u>
	<u>(48,870)</u>	<u>-</u>
Net asset	<u>123,510</u>	<u>-</u>
(b) Deferred taxation (credited)/charged to profit or loss comprises the following temporary differences:		
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Property, plant and equipment	(7,359)	-
Tax losses carried forward	(165,021)	-
Investment properties	402	-
Advertising entitlements	<u>28,871</u>	<u>-</u>
	<u>(143,107)</u>	<u>-</u>
Deferred taxation charged to other comprehensive income comprises the following temporary differences:		
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Revaluation reserve	<u>19,597</u>	<u>-</u>

PULSE INVESTMENTS LIMITED
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15. DEFERRED TAXATION (CONT'D):

- (c) Deferred income tax assets are recognised for tax losses carried forward to the extent that realization of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, losses of approximately \$660,087 thousand for the company are available for set-off against future profits and may be carried forward indefinitely.

16. RECEIVABLES:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Trade receivables	32,222	18,351
Provision for doubtful debts	<u>(13,101)</u>	<u>(7,182)</u>
	19,121	11,169
Other receivables	2,378	1,489
GCT recoverable	<u>3,265</u>	<u>3,260</u>
	<u>24,764</u>	<u>15,918</u>

The company establishes an allowance for impairment that represents its best estimate of incurred losses in respect of trade and other receivables for which collectability appears doubtful. Management believes that an impairment allowance for these receivables is adequate on the basis of expected collection of amounts owed to the company. An aged analysis of the carrying amounts of these trade receivables is presented below:

	<u>2016</u>			<u>Total</u> <u>\$'000</u>
	0 to 60 days <u>\$'000</u>	60-90 days <u>\$'000</u>	More than 90 days <u>\$'000</u>	
Receivable arising from:				
Model agents	18,420	-	-	18,420
Cash sponsors	9,000	-	4,005	13,005
Lease agreements	-	-	53	53
Other trade receivables	<u>98</u>	<u>34</u>	<u>612</u>	<u>744</u>
	27,518	34	4,670	32,222
Less: Allowance for impairment	<u>(8,431)</u>	<u>-</u>	<u>(4,670)</u>	<u>(13,101)</u>
	<u>19,087</u>	<u>34</u>	<u>-</u>	<u>19,121</u>

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16. RECEIVABLES (CONT'D):

	<u>2015</u>			<u>Total</u> <u>\$'000</u>
	<u>0 to 60</u> <u>days</u> <u>\$'000</u>	<u>60-90</u> <u>days</u> <u>\$'000</u>	<u>More</u> <u>than 90</u> <u>days</u> <u>\$'000</u>	
Receivable arising from:				
Model agents	6,138	-	-	6,138
Cash sponsors	7,326	-	4,145	11,471
Lease agreements	-	-	54	54
Other trade receivables	<u>688</u>	<u>-</u>	<u>-</u>	<u>688</u>
	14,152	-	4,199	18,351
Less: Allowance for impairment	<u>(3,882)</u>	<u>-</u>	<u>(3,300)</u>	<u>(7,182)</u>
	<u>10,270</u>	<u>-</u>	<u>899</u>	<u>11,169</u>

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
At 1 July	7,182	7,475
Provisions for receivables impairment	8,582	3,851
Receivables written-off during the year as uncollectible	<u>(2,663)</u>	<u>(4,144)</u>
Balance at end of year	<u>13,101</u>	<u>7,182</u>

The creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written-off when there is no expectation of recovering additional cash.

Impairment estimates have been adjusted based on actual collection patterns.

17. ADVERTISING ENTITLEMENTS:

(a) Advertising entitlements -

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Opening balance	323,751	227,855
Amount recognized as income during the year (note 6)	<u>115,486</u>	<u>95,896</u>
	<u>439,237</u>	<u>323,751</u>

This represents recoverable costs for shows produced and delivered. During the year, no advertising entitlements were utilized (2015 - \$nil).

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17. **ADVERTISING ENTITLEMENTS (CONT'D):**

(b) Advertising entitlements/Sale of TV programming -

The directors estimate that the company has generated advertising entitlements of \$828,472 thousand (2015: \$753,156 thousand) which remain unused at the reporting date. In accordance with the company's accounting policy [see note 3(o)], these entitlements have not been recognized in preparing the financial statements.

18. **CASH AND CASH EQUIVALENTS:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash in hand (J\$)	4,330	3,609
Deposit (US\$)	8	3
Chequeing account (J\$)	<u>14,318</u>	<u>9,513</u>
Cash and bank balances	18,656	13,125
Bank overdraft	<u>(6,094)</u>	<u>(3,422)</u>
	<u>12,562</u>	<u>9,703</u>

(a) The savings account is interest bearing. Interest rate at year end 2016 and 2015 was nil.

(b) Bank overdraft resulted from unrepresented cheques that were drawn but not released at year end.

19. **SHARE CAPITAL:**

Authorised:

336,825,000 (2015: 336,825,000) ordinary shares of no par value

	<u>2016</u>		<u>2015</u>	
	<u>No. of</u> <u>Shares</u> <u>'000</u>	<u>Ordinary</u> <u>Share</u> <u>Capital</u> <u>\$'000</u>	<u>No. of</u> <u>Shares</u> <u>'000</u>	<u>Ordinary</u> <u>Share</u> <u>Capital</u> <u>\$'000</u>
Stated, issued and fully paid at 30 June	<u>280,703</u>	<u>152,367</u>	<u>280,703</u>	<u>152,367</u>

The holders of ordinary shares are entitled to receive dividends if declared and are entitled to one vote per share at meetings of the company. All issued shares are fully paid and rank equally with regard to the company's residual assets.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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20. SHARE PREMIUM:

Share premium is made up as follows:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
31,549,768 (2015: 31,549,768) ordinary shares - premium of \$0.51 each	16,042	16,042
91,341,692 (2015: 91,341,692) ordinary shares - premium of \$3.91 per share	<u>357,146</u> 373,188	<u>357,146</u> 373,188
Costs of rights issue	<u>(6,812)</u>	<u>(6,812)</u>
	<u>366,376</u>	<u>366,376</u>

Share premium is retained in accordance with the provisions of Section 39 (7) of the Companies Act.

21. CAPITAL RESERVE:

The amount represents surplus arising on the purchase of assets and liabilities of Pulse Entertainment Group Limited.

22. CAPITAL REDEMPTION RESERVE:

The amount represents the total redemption value of redeemed preference shares that was transferred from retained earnings in accordance with the requirements of the Jamaican Companies Act.

23. REVALUATION RESERVE:

The revaluation reserve represents the accumulated surplus arising on the revaluation of certain leasehold properties.

24. SHARES TO BE ISSUED:

This represents the value of professional services provided by Capital Options Limited which has confirmed its intention to convert 434,783 ordinary shares in the company. During 2013, Capital Options Limited transferred its rights to the shares to a director. If these shares were issued, the earnings per share (EPS) would not be diluted because the quantity of shares is insignificant.

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25. **LOANS:**

	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
i. Caricom Trade Support Programme	1,104	1,104
ii. CIBC First Caribbean International Bank	<u>16,299</u>	<u>19,713</u>
	17,403	20,817
Less: current portion	<u>(4,057)</u>	<u>(4,057)</u>
	<u>13,346</u>	<u>16,760</u>

(i) Caricom Trade Support Programme

The loan is interest free and secured by a letter of credit in the amount of US\$19,070 issued by First Caribbean International Bank (Jamaica) Limited. The loan is repayable in 18 monthly payments of US\$4,391 commencing June 2007. The loan payments are overdue; however, there are no significant penalties associated with loan payments and no demands for settlement have been made.

(ii) CIBC FirstCaribbean International Bank

This loan attracts interest of 17.85% per annum and is repayable over 90 months with maturity in June 2018. The loan is secured as follows:

1. Mortgages over the Villa Ronai property located at Old Stony Hill Road, Constant Spring, St. Andrew, owned by a director and leased by Pulse Investments Limited.
2. Unlimited guarantee from a director.
3. Assignment of peril insurance over the Villa Ronai property located at Old Stony Hill Road, Constant Spring, St. Andrew.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26. **RELATED PARTY BALANCES AND TRANSACTIONS:**

The following transactions were carried out with related parties

(a) Provision of services and sponsorship

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Studio 38/Puls8 - Rental income	12,050	10,952
Samurai Investment Limited - Cash sponsorship	47,000	39,000
	<u>59,050</u>	<u>49,952</u>

During the year, trading occurred between the company and a related party in respect of the rental of shop space. These provisions were negotiated on an arm's length basis.

(b) Purchase of services

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Samurai Investments Limited		
Management fees	44,293	39,513
Lease expense	1	1
Additions to investment property	40,265	15,810

During the year, trading occurred between the company and related party, Samurai Investments Limited, in respect of lease arrangement for 49 years at \$1 per year (see notes 12 and 14) and acquisition services which were negotiated on an arm's length basis.

(c) Key Management Compensation -

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Salaries, wages and other benefits	4,845	4,956

(d) The land on which the leasehold properties are situated is in the name of a director and shareholder (see note 14).

(e) Year-end balances arising from transactions with related parties.

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Due to Samurai Investments Limited	90,264	49,595

The balance due to Samurai Investments Limited will not be demanded within sixty months.

PULSE INVESTMENTS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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27. PAYABLES:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Deposits	2,378	3,283
Accrued charges	<u>5,771</u>	<u>4,257</u>
	<u>8,149</u>	<u>7,540</u>

28. DIVIDENDS PAID:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
In respect of 30 June 2015 (0.06 per share)	<u>16,842</u>	<u>-</u>

By way of resolution dated 1 December 2015 dividend payment of \$0.06 per share was approved by the Board of Directors.

29. OPERATING LEASE RECEIVABLE:

The company has entered into several lease agreement for office and storage space with expiry dates from -

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Year 1	47,323	48,613
Year 2	53,048	47,323
Year 3	<u>59,261</u>	<u>53,048</u>
	<u>159,632</u>	<u>148,984</u>

30. UNEXPIRED SPONSORSHIP IN KIND:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Opening balance	47,421	22,829
Sponsorship in kind generated during the year	<u>85,506</u>	<u>101,570</u>
	132,927	124,399
Sponsorship utilized during the year (note 6)	<u>(80,764)</u>	<u>(76,978)</u>
Unexpired sponsorship in kind at end of year	<u>52,163</u>	<u>47,421</u>

During the year, sponsorship in kind utilized amounted to \$80,764 thousand (2015 - \$76,978 thousand).

The directors estimate that the company has unexpired sponsorship in kind of \$52,163 thousand (2015 - \$47,421 thousand) which remain unused at the reporting date. In accordance with the company's policy, the unexpired sponsorship entitlements at year end have not been recognised in the financial statements.

PULSE INVESTMENTS LIMITED
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31. RESTATEMENT OF PRIOR YEAR BALANCES:

During the year, the Board of Directors reviewed its accounting policy regarding the recognition of unexpired sponsorship in kind and elected not to recognize these sponsorships but instead disclose by way of note as guided by International Financial Reporting Standards.

The following balances as per the 2015 and 2014 financial statements were restated as follows:

Effect on the statement of financial position as at 30 June 2015

	<u>As previously Stated</u> <u>\$'000</u>	<u>Effect of Restatement</u> <u>\$'000</u>	<u>Restated</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	106,494	-	106,494
Intangible assets	92,720	-	92,720
Investment properties	1,174,950	-	1,174,950
	<u>1,374,164</u>	<u>-</u>	<u>1,374,164</u>
CURRENT ASSETS:			
Receivables	15,918	-	15,918
Advertising entitlements	323,751	-	323,751
Unexpired sponsorship in kind	47,421	(47,421)	-
Cash and bank balances	13,125	-	13,125
	<u>400,215</u>	<u>(47,421)</u>	<u>352,794</u>
	<u>1,774,379</u>	<u>(47,421)</u>	<u>1,726,958</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	152,367	-	152,367
Share premium	366,376	-	366,376
Capital reserve	2,637	-	2,637
Capital redemption reserve	20,500	-	20,500
Revaluation reserve	68,291	-	68,291
Shares to be issued	2,609	-	2,609
Retained earnings	1,032,804	-	1,032,804
	<u>1,645,584</u>	<u>-</u>	<u>1,645,584</u>
NON-CURRENT LIABILITIES:			
Long term loan	16,760	-	16,760
Related party	49,595	-	49,595
	<u>66,355</u>	<u>-</u>	<u>66,355</u>
CURRENT LIABILITIES:			
Payables	7,540	-	7,540
Deferred unexpired sponsorship in kind	47,421	(47,421)	-
Bank overdraft	3,422	-	3,422
Current portion of long term loan	4,057	-	4,057
	<u>62,440</u>	<u>(47,421)</u>	<u>15,019</u>
	<u>1,774,379</u>	<u>(47,421)</u>	<u>1,726,958</u>

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31. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effect on the statement of financial position as at 30 June 2014

	<u>As previously Stated</u> <u>\$'000</u>	<u>Effect of Restatement</u> <u>\$'000</u>	<u>Restated</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	97,413	-	97,413
Intangible assets	92,720	-	92,720
Investment properties	<u>1,063,383</u>	<u>-</u>	<u>1,063,383</u>
	<u>1,253,516</u>	<u>-</u>	<u>1,253,516</u>
CURRENT ASSETS:			
Receivables	9,163	-	9,163
Advertising entitlements	227,855	-	227,855
Unexpired sponsorship in kind	22,829	(22,829)	-
Cash and bank balances	<u>15,266</u>	<u>-</u>	<u>15,266</u>
	<u>275,113</u>	<u>(22,829)</u>	<u>252,284</u>
	<u>1,528,629</u>	<u>(22,829)</u>	<u>1,505,800</u>
<u>EQUITY AND LIABILITIES</u>			
<u>EQUITY</u>			
Share capital	152,367	-	152,367
Share premium	366,376	-	366,376
Capital reserve	2,637	-	2,637
Capital redemption reserve	20,500	-	20,500
Revaluation reserve	57,439	-	57,439
Shares to be issued	2,609	-	2,609
Retained earnings	<u>824,206</u>	<u>-</u>	<u>824,206</u>
	<u>1,426,134</u>	<u>-</u>	<u>1,426,134</u>
NON-CURRENT LIABILITIES:			
Long term loan	19,622	-	19,622
Related party	<u>44,995</u>	<u>-</u>	<u>44,995</u>
	<u>64,617</u>	<u>-</u>	<u>64,617</u>
CURRENT LIABILITIES:			
Payables	8,367	-	8,367
Deferred unexpired sponsorship in kind	22,829	(22,829)	-
Bank overdraft	2,979	-	2,979
Current portion of long term loan	<u>3,703</u>	<u>-</u>	<u>3,703</u>
	<u>37,878</u>	<u>(22,829)</u>	<u>15,049</u>
	<u>1,528,629</u>	<u>(22,829)</u>	<u>1,505,800</u>